

**Auditors' Report
&
Audited Financial Statements
of
BRAC EPL Stock Brokerage Limited
For the year ended 31 December 2017**

**INDEPENDENT AUDITORS' REPORT
TO THE SHAREHOLDERS OF BRAC EPL STOCK BROKERAGE LIMITED**

We have audited the accompanying financial statements of **BRAC EPL Stock Brokerage Limited**, which comprise the statement of financial position as at 31 December 2017 and the statement of profit or loss & other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Bangladesh Financial Reporting Standards (BFRSs) and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Bangladesh Standards on Auditing (BSAs). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.


Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of BRAC EPL Stock Brokerage Limited as at 31 December 2017 and its financial performance and its cash flows for the year then ended in accordance with Bangladesh Financial Reporting Standards (BFRSs) and comply with the Companies Act 1994 and other applicable laws and regulations.

We also report that:

- a) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit and made due verification thereof;
- b) in our opinion, proper books of account as required by law have been kept by the company so far as it appeared from our examination of those books;
- c) the company's financial statements dealt with by the report are in agreement with the books of account and returns; and
- d) The expenditure incurred were for the purpose of the company's business.

Dated, Dhaka
13 February 2018



A. Qasem & Co.
Chartered Accountants

BRAC EPL Stock Brokerage Limited
Statement of Financial Position
As at 31 December 2017

Assets	Notes	2017 Taka	2016 Taka
Non-current assets			
Property, plant and equipment	5	33,875,497	23,489,138
Intangible assets	6	327,202	31,698
Membership at cost	7	11,027,750	11,027,750
Investment in associate company	8	15,081,120	14,930,161
Investment in DSE & CSE	9	46,009,744	46,009,744
Total non-current assets		106,321,313	95,488,490
Current assets			
Investment in shares	10	509,704,480	278,392,421
Account receivables	11	1,617,291,759	272,732,104
Inter-company receivables	12	22,698,404	10,070,727
Margin loan receivables	13	141,341,986	143,985,649
Advances, deposits and prepayments	14	396,249,856	324,646,201
Other receivables	15	4,458,576	8,229,333
Investment in FDRs	16	128,977,967	195,692,966
Cash and cash equivalents	17	174,475,837	410,529,819
Total current assets		2,995,198,865	1,644,279,220
Total assets		3,101,520,178	1,739,767,710
Equity and liabilities			
Shareholder's equity			
Share capital	18	700,953,800	451,500,000
Retained earnings		232,929,645	277,659,381
Total equity		933,883,445	729,159,381
Non-current liabilities			
Defined benefit obligations		2,392,592	-
		2,392,592	-
Current liabilities			
Account payables	19	1,649,696,268	556,670,384
Investment suspense account	20	46,009,744	46,009,744
Inter-company payables	21	2,085,090	972,834
Liability for expenses	22	74,110,350	103,647,798
Provision for income tax	23	393,342,689	303,307,569
Total current liabilities		2,165,244,141	1,010,608,329
Total liabilities		2,167,636,733	1,010,608,329
Total equity and liabilities		3,101,520,178	1,739,767,710


The annexed notes 1 to 35 form an integral part of these financial statements.


Chief Executive Officer


Director


Chairperson

Dhaka,
13 February 2018


A. Qasem & Co.
Chartered Accountants

BRAC EPL Stock Brokerage Limited
Statement of Profit or Loss and Other Comprehensive Income
For the year ended 31 December 2017

	<u>Notes</u>	<u>2017</u> <u>Taka</u>	<u>2016</u> <u>Taka</u>
Service Revenue	24	564,786,186	433,478,927
Direct expenses	25	(138,379,466)	(132,336,594)
Gross profit		426,406,720	301,142,333
Operating expenses	26	(259,974,716)	(215,002,837)
Operating profit		166,432,004	86,139,496
Other income	27	-	(25,484)
Finance income	28	134,369,150	72,622,671
Finance expenses	29	(6,192,929)	(6,264,142)
Share of profit of equity in associate company	8	150,959	175,511
Profit before tax		294,759,184	152,648,051
Income tax expenses	30	(90,035,120)	(57,811,435)
Net profit after tax		204,724,064	94,836,616
Other comprehensive income			
Items that will never be reclassified to profit or loss		-	-
Items that are or may be reclassified to profit or loss		-	-
Other comprehensive income, net of tax		-	-
Total comprehensive income/(loss)		204,724,064	94,836,616

The annexed notes 1 to 35 form an integral part of these financial statements.


Allocation of income between Brokerage Income and Other than Brokerage Income has been shown in Annexure-1 which is also an integral part of these financial statements.


Chief Executive Officer


Director


Chairman

Dhaka,
13 February 2018


A. Qasem & Co.
Chartered Accountants

BRAC EPL Stock Brokerage Limited
Statement of Changes in Equity
For the year ended 31 December 2017

Particulars	Amount in Taka		
	Share capital	Retained earnings	Total
Balance as at 1 January 2016	451,500,000	182,822,765	634,322,765
Issue of bonus shares	-	-	-
Net profit for the year ended 2016	-	94,836,616	94,836,616
Balance as at 31 December 2016	<u>451,500,000</u>	<u>277,659,381</u>	<u>729,159,381</u>
Issue of bonus shares	249,453,800	(249,453,800)	-
Net profit for the year ended 2017	-	204,724,064	204,724,064
Balance as at 31 December 2017	<u>700,953,800</u>	<u>232,929,645</u>	<u>933,883,445</u>


Chief Executive Officer


Director


Chairperson

BRAC EPL Stock Brokerage Limited
Statement of Cash Flows
For the year ended 31 December 2017

	2017	2016
	<u>Taka</u>	<u>Taka</u>
A. Cash flows from operating activities:		
Commission, interest and others received	608,670,488	456,040,181
Payments for creditors and other expenses	(414,093,134)	(303,136,961)
Loans and advances	(253,830,651)	(167,400,614)
Cash generated from operating activities	(59,253,297)	(14,497,394)
Other income	160,678,642	85,607,830
Income tax paid	(78,329,493)	(65,314,328)
Cash generated used in other operating activities	82,349,149	20,293,501
Net cash flows from operating activities	23,095,852	5,796,107
B. Cash flows from investing activities:		
Acquisition of fixed assets	(21,644,845)	(3,327,067)
Sale of fixed assets	-	-
Redemption/investment in zero coupon bond	-	14,574,678
Investment in shares	(231,312,059)	(173,527,337)
Net cash flows (used)/from investing activities	(252,956,904)	(162,279,726)
C. Cash flows from financing activities:		
Finance cost	(6,192,929)	(6,264,142)
Net cash used in financing activities	(6,192,929)	(6,264,142)
Net increase in cash and cash equivalents (A+B+C)	(236,053,982)	(162,747,761)
Cash and cash equivalents at the beginning of the year	410,529,819	573,277,580
Cash and cash equivalents at the end of the year	174,475,837	410,529,819


Chief Executive Officer


Director


Chairperson

BRAC EPL Stock Brokerage Limited
Notes to the Financial Statements
For the year ended 31 December 2017

1 Company and its activities

1.1 Background and legal status

BRAC EPL Stock Brokerage Limited (hereinafter referred to as the "Company" or BESL) was incorporated in Bangladesh on 16 May 2000 as a private limited company under the Companies Act 1994 initially in the name of Equity Partners Securities Limited, the name of which was changed to BRAC EPL Stock Brokerage Limited on 04 October 2009. The registered office of the Company is located at DSE Annex Building, Dhaka.

1.2 Nature of business

The main objectives of the Company are to carry on the business of stock brokers/stock dealers and other related business in connection with the dealings of listed securities. Other objectives of the Company are to buy, sell, hold or otherwise acquire or invest the capital of the Company in shares, stocks and fixed income securities, etc. It has corporate membership of Dhaka Stock Exchange Limited and Chittagong Stock Exchange Limited.

2 Basis of preparation of financial statements

2.1 Components of the financial statements

The financial statements referred to here comprise:

- a) Statement of Financial Position
- b) Statement of Profit or Loss and Other Comprehensive Income
- c) Statement of Changes in Equity
- d) Statement of Cash Flows; and
- e) Notes to the Financial Statements

2.1 Reporting Period

These financial statements cover one calendar year from 1 January 2017 to 31 December 2017.

2.3 Statement of compliance

The financial statements of the Company have been prepared on going concern basis under the historical cost convention in accordance with Bangladesh Financial Reporting Standards (BFRSs) and Bangladesh Accounting Standards (BASs), the Companies Act 1994, the Securities and Exchange Commission Rules 1987 and other applicable laws and regulations applicable in Bangladesh.

2.4 Basis of Measurements

The financial statements have been prepared on the historical cost basis except for investment in shares which have been recognized at market price valued on aggregate basis. No adjustments have been made for inflationary factors affecting the financial statements. The accounting policies, unless otherwise stated, have been consistently applied by the Company and are consistent with those of the previous years.

2.5 Functional and presentational currency

These financial statements are prepared in Bangladesh Taka (Taka/Tk), which is the company's functional currency. All financial information presented in Taka has been rounded to the nearest integer, except where otherwise indicated.

2.6 Use of estimates and judgments

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected.

2.6.1 Judgments

Information about judgments made in applying accounting policies that have the most significant effects on the amounts recognized in the financial statements is included in Note 3 – significant accounting policies

2.6.2 Assumptions and estimation uncertainties

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment in the year ending 31 December 2017 is included in the following notes:

Note 5	Depreciation on property and equipment
Note 6	Amortization of intangible asset
Note 23	Provision for income tax

2.7 Going concern

The Company has adequate resources to continue in operation for the foreseeable future. For this reason the directors continue to adopt going concern basis in preparing the financial statements. The current resources of the Company provide sufficient fund to meet the present requirements of its existing business.

2.8 Employee benefit Obligation**2.8.1 a. Defined contribution plan**

The Company operates a contributory provident fund for its permanent employees in accordance with the Provident Fund Rules which are submitted to National Board of Revenue for recognition. The fund is administered separately by a Board of Trustees consisting of four members and is funded by the equal contribution both by the Company and employees at a predetermined rate.

2.8.2 b. Defined benefit plan (Gratuity scheme)

The Company has an unfunded gratuity scheme for all permanent employees in accordance with the Gratuity Fund Rules which are submitted to National Board of Revenue for recognition. Required amount of gratuity is calculated on the basis of last basic pay depending on the length of service for every completed year as well as proportionate to the fraction period of service as of the respective financial year.

3 Significant accounting policies**3.1 Property, plant and equipment****Recognition and measurement**

Items of property and equipment are measured at cost less accumulated depreciation and accumulated impairment losses, if any.

Cost includes expenditures that are directly attributable to the acquisition of the asset and bringing to the location and condition necessary for it to be capable of operating in the intended manner. The cost of self constructed asset includes the cost of material, direct labor and any other cost directly attributable to bringing the assets to a working condition for their intended use.

Subsequent costs

The costs of replacing part of an item of property and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its costs can be measured reliably. The cost of the day-to-day servicing of property and equipment are recognized in profit or loss as incurred.

Depreciation

The company uses straight line method for charging depreciation. Full month depreciation is charged on additions irrespective of date of its acquisition whereas no depreciation is charged in the month of disposal. The rates of depreciation on various classes of property, plant and equipment are as under:

Name of the assets	<u>2017</u> Rates (%)	<u>2016</u> Rates (%)
Office floor space	2%	2%
Furniture and fixture	12.50%	12.50%
Office decoration	15%	15%
Computers and accessories	25%	25%
Air cooler and ceiling fans	20%	20%
Electrical and office	20%	20%
Vehicles	20%	20%

Retirement and disposals

An asset is derecognized on disposal or when no future economic benefits are expected from its use and subsequent disposal. Gains or losses arising from the retirement or disposal of an asset is determined by the difference between the net disposal proceeds and the carrying amount of the asset and is recognized in profit or loss.

3.2 Intangible assets

Recognition and measurement

An intangible asset is recognized if it is probable that future economic benefits that are attributable to the asset will flow to the Company and cost of the asset can be measured reliably.

An intangible asset is measured initially at cost. After initial recognition, an intangible asset is carried at its cost less accumulated amortization and accumulated impairment losses (if any).

Amortization of intangible assets

Amortization is recognized in the Statement of Profit or Loss and Other Comprehensive Income on straight line basis from the date that they are available for use. Amortization on intangible assets is charged for the full month from the month of acquisition. In case of disposals, amortization is charged up to the immediate previous month of disposal. The rate of amortization is 33.33% per annum for software. Amortization methods and amortization rate are reviewed at each reporting date and adjusted if appropriate.

3.3 Financial instruments

The Company classifies non-derivative financial assets into the following categories: financial assets at fair value through profit or loss, held-to-maturity financial assets, loans and receivables and available-for-sale financial assets.

The Company classifies non-derivative financial liabilities into the other financial liabilities category.

(i) Non-derivative financial assets and financial liabilities – recognition and derecognition

The Company initially recognizes loans and receivables and debt securities issued on the date when they are originated. All other financial assets and financial liabilities are initially recognized on the trade date.

The Company derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred, or it neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control over the transferred asset. Any interest in such derecognized financial assets that is created or retained by the Company is recognized as a separate asset or liability.

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire.

Financial assets and financial liabilities are offset and the net amount presented in the Statement of Financial Position when, and only when, the Company has a legal right to offset the amounts and intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

(ii) Non-derivative financial assets – measurement**Financial assets at fair value through profit or loss**

A financial asset is classified at fair value through profit or loss if it is classified as held-for-trading or is designated as such upon initial recognition. Attributable transaction costs are recognized in profit or loss as incurred. Financial assets at fair value through profit or loss are measured at fair value, and changes therein are recognized in the Statement of Comprehensive Income.

Financial assets classified as held for trading

(a) it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term;

(b) on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit taking.

Financial assets classified as held-for-trading comprise investments in quoted shares as these shares are acquired principally for the purpose of selling in the near term to earn short-term profit.

Held-to-maturity financial assets

If the Company has the positive intent and ability to hold debt securities to maturity, then such financial assets are classified as held-to-maturity. Held-to-maturity financial assets are recognized initially at fair value plus any directly attributable transaction cost. Subsequent to initial recognition, held to maturity financial assets are measured at amortized cost using the effective interest method, less any impairment losses.

Held-to-maturity financial assets comprise investments in FDR as the Company has the positive intent and ability to hold them to maturity.

Loans and receivables

Loans and receivables are financial assets with fixed or predeterminable payment that are not quoted in an active market. Such assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses.

Loans and receivables comprise cash and cash equivalents, receivable from DSE, receivables from clients, intercompany receivables and other receivables.

Cash and cash equivalents

In the Statement of Cash Flows, cash and cash equivalents includes bank overdrafts that are repayable on demand and form an integral part of the Company's cash management.

Available-for-sale financial assets

Available-for-sale financial assets are non derivative financial assets that are designated as available-for-sale or are not classified in any of the above categories of financial assets. Available-for-sale financial assets are recognized initially at fair value plus any directly attributable transaction cost.

Subsequent to initial recognition, they are measured at fair value, and changes therein other than impairment losses are recognized in other comprehensive income and presented in the fair value reserve in equity. When an available-for-sale financial asset is derecognized, the gains or losses accumulated in equity is reclassified to profit or loss.

Available-for-sale financial assets comprise investments in DSE and CSE membership as it is designated as such upon initial recognition.

(iii) Non-derivative financial liabilities – measurement

Non-derivative financial liabilities are initially recognized at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these liabilities are measured at amortized cost using the effective interest method.

(iv) Share capital**Ordinary shares**

Incremental costs directly attributable to the issue of ordinary shares, net of any tax effects, are recognized as a deduction from equity.

3.4 Impairment**(i) Non-derivative financial assets**

Financial assets not classified as at fair value through profit or loss, are assessed at each reporting date to determine whether there is objective evidence of impairment.

Objective evidence that financial assets are impaired includes:

- default or delinquency by a debtor;
- restructuring of an amount due to the Company on terms that the Company would not consider otherwise;
- indications that a debtor or issuer will enter bankruptcy;
- adverse changes in the payment status of borrowers or issuers;
- observable data indicating that there is measurable decrease in expected cash flows from a company of financial assets.

Financial assets measured at amortized cost

The Company considers evidence of impairment for these assets at both an individual asset and a collective level. All individually significant assets are individually assessed for impairment. Those found not to be impaired are then collectively assessed for any impairment that has been incurred but not yet individually identified. Assets that are not individually significant are collectively assessed for impairment. Collective assessment is carried out by grouping together assets with similar risk characteristics.

In assessing collective impairment, the Company uses historical information on the timing of recoveries and the amount of loss incurred, and makes an adjustment if current economic and credit conditions are such that the actual losses are likely to be greater or lesser than suggested by historical trends.

An impairment loss is calculated as the difference between an asset's carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognized in profit or loss and reflected in an allowance account. When the Company considers that there are no realistic prospects of recovery of the asset, the relevant amounts are written off. If the amount of impairment loss subsequently decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, then the previously recognized impairment loss is reversed through profit or loss.

Available-for-sale financial assets

Impairment losses on available-for-sale financial assets are recognized by reclassifying the losses accumulated in the fair value reserve to profit or loss. The amount reclassified is the difference between the acquisition cost (net of any principal repayment and amortization) and the current fair value, less any impairment loss previously recognized in profit or loss. If the fair value of an impaired available-for-sale debt security subsequently increases and the increase can be related objectively to an event occurring after the impairment loss was recognized, then the impairment loss is reversed through profit or loss; otherwise, it is reversed through Other Comprehensive Income.

(ii) Non-financial assets

The carrying amount of the non-financial assets, other than inventories are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the assets' recoverable amounts are estimated. For intangible assets that have indefinite lives, recoverable amount is estimated at each reporting date. An impairment loss is recognized if the carrying amount of an asset exceeds its estimated recoverable amount.

3.5 Investments in associate company

An associate is an enterprise in which the investor has significant influence and which is neither a subsidiary nor a joint venture of the investor (BAS-28: Accounting for Investments in Associates"). Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control over those policies. Investment in associate is accounted for in consolidated financial statements under the "equity method". Under the equity method, the investment is initially recorded at cost and the carrying amount is increased or decreased to recognize the investor's share of the profits or losses of the investee after the date of acquisition. Distributions received from an investee reduce the carrying amount of the investment.

3.6 Provisions

The company recognizes provisions only when it has a present obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and when a reliable estimate of the amount of the obligation can be made.

3.7 Taxation**a) Current tax :**

Current tax has been made on the basis of the Finance Act 2017. Income tax withheld from the transactions of traded securities in accordance with section 53BBB @ 0.05% is the minimum tax of the Company under section 82C of Income Tax Ordinance (ITO) 1984. Income tax provision is made on capital gains on sale of shares of listed company @ 10% as per SRO No. 269/Law/Income Tax/2010 dated 1 July 2010 whereas it is @ 35% on other than Brokerage income as per tax laws.

b) Deferred tax:

The Company is under purview of section 82C of Income Tax Ordinance (ITO) 1984 which is the minimum tax, therefore, no deferred tax is required.

3.8 Contingencies

Contingencies arising from claims, litigation assessments, fines, penalties, etc. are recorded when it is probable that a liability has been incurred and the amount can reasonably be measured.

Contingent liability

Contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity.

Contingent liability should not be recognized in the financial statements, but may require disclosure. A provision should be recognized in the period in which the recognition criteria of provision have been met.

Contingent asset

Contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity.

A contingent asset must not be recognized. Only when the realization of the related economic benefit is virtually certain should recognition take place provided that it can be measured reliably because, at that point, the asset is no longer contingent.

3.9 Revenue recognition

Revenue comprises of brokerage commission and gain on sale of shares. Details of revenue recognition policy are given as under:

- (i) Brokerage commission is recognized as income when selling or buying orders are executed.
- (ii) Interest income on FDR and STD accounts is recognized when accrued.
- (iii) Cash dividend income is recognized on the declaration of dividend and subsequent receipt of such dividend; and
- (iv) Capital gains on sale of shares are recognized both on realization and unrealization.

Cost of services

Cost of services includes laga and howla charges of stock exchanges booked on daily basis as per trading after receiving the trade reports and the charges of Central Depository Bangladesh Ltd. (CDBL) booked on monthly basis, after receiving the bills from CDBL.

3.10 Service charge

A memorandum of understanding (MOU) between BRAC Bank Limited (BBL) and BRAC EPL Stock Brokerage Limited (BESL) has been signed on 27 march 2011 which states that BESL will be charged a 5% fee for all disbursements made by BBL to cover overhead expenses.

3.11 Recognition & measurement of financial instrument

Financial assets at fair value through profit or loss are assets held for trading that is shown at fair market value as required by BAS-39: *Financial Instrument - Recognition & Measurement*. As per BAS-39 any fluctuation in the fair market value of the shares/ securities classified as fair value through profit and loss where gains or losses arising from a change in the fair value of such financial assets are recognized in the statement of comprehensive income.

3.12 Margin loan to clients

Margin loans are given as per margin loan policy of the Company. Normally clients are required to deposit Taka 25 lac for entitlement of margin loan.

3.13 General

- i) Amounts appearing in these financial statements have been rounded off to the nearest Taka; and
- ii) Figures relating to previous year have been rearranged wherever considered necessary to confirm with current year's presentation.

4. Standards issued but not yet effective

The Institute of Chartered Accountants of Bangladesh (ICAB) has adopted following new standards and amendments to standards during the year 2015. All previously adopted reporting standards are consistently applied by the Company to the extent relevant for the Company.

New or amended standards**BFRS 9 Financial Instruments****Summary of the requirements**

BFRS 9, published in July 2014, replaces the existing guidance in BAS 39 Financial Instruments: Recognition and Measurement. BFRS 9 includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from BAS 39.

BFRS 9 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted.

Possible impact on financial statements

The Company is assessing the potential impact on its financial statements resulting from the application of BFRS 9.

BFRS 14 Regulatory Deferral Accounts**Summary of the requirements**

BFRS 14 specify the financial reporting requirements for regulatory deferral account balance that arise when an entity provides goods or services to customers at a price or rate that is subject to rate regulation.

BFRS 14 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted.

Possible impact on financial statements

The Company is assessing the potential impact on its financial statements resulting from the application of BFRS 14.

BFRS 15 Revenue from Contracts with Customers**Summary of the requirements**

BFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaces existing revenue recognition guidance, including BAS 18 Revenue, BAS 11 Construction Contracts and BFRIC 13 Customer Loyalty Programmes.

BFRS 15 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted.

Possible impact on financial statements

The Company is assessing the potential impact on its financial statements resulting from the application of BFRS 15.

Agriculture: Bearer Plants (Amendments to BAS 16 and BAS 41)**Summary of the requirements**

These amendments require a bearer plant, defined as a living plant, to be accounted for as property, plant and equipment and included in the scope of IAS 16 Property, Plant and Equipment, instead of BAS 41 Agriculture.

The amendments are effective for annual reporting periods beginning on or after 1 January 2016, with early adoption permitted.

Possible impact on financial statements

None. The Company does not have any bearer plants.

5 **Property, plant and equipment**

Amount in Taka

Particulars	Cost				Rate (%)	Depreciation				Written down value as at 31 Dec 2017
	As at 1 January 2017	Additions during the year	Adjustment/disposal	As at 31 Dec 2017		As at 1 January 2017	Charged during the year	Adjustment/disposal	As at 30 Dec 2017	
Office floor space	10,472,795	-	-	10,472,795	2	1,310,168	209,460	-	1,519,628	8,953,167
Furniture and fixtures	7,970,712	1,767,763	-	9,738,475	12.5	6,158,578	1,126,668	-	7,285,246	2,453,127
Office decoration	41,939,371	8,927,945	-	50,867,316	15	36,058,927	4,958,480	-	41,017,407	9,849,909
Computers and accessories	26,392,609	5,503,659	-	31,896,268	25	23,703,720	2,539,127	-	26,242,847	5,653,421
Air coolers and ceiling fans	8,396,234	4,147,821	-	12,544,055	20	8,395,744	916,954	-	9,312,698	3,231,357
Electrical and office equipment	15,987,178	1,297,657	-	17,284,835	20	13,881,402	873,535	-	14,754,937	2,529,938
Vehicles	11,700,020	-	-	11,700,020	20	9,861,242	634,200	-	10,495,442	1,204,578
Total 31 December 2017	122,858,919	21,644,845	-	144,503,764		99,369,781	11,258,424	-	110,628,267	33,875,497
Total 31 December 2016	120,798,044	3,327,067	1,266,192	122,858,919		88,118,868	12,369,220	1,118,308	99,369,781	23,489,138

	2017 <u>Taka</u>	2016 <u>Taka</u>
6 Intangible assets		
Cost at the beginning of the year	24,498,695	24,498,695
Add: Addition during the year	442,984	-
Cost at the close of the year	<u>24,941,679</u>	<u>24,498,695</u>
Accumulated amortisation at the beginning of the year	24,466,997	19,995,067
Add: Amortization during the year @ 33.33%	147,480	4,471,930
Accumulated amortization at the end of the year	<u>24,614,477</u>	<u>24,466,997</u>
Carrying amount as at 31 December	<u>327,202</u>	<u>31,698</u>
7 Membership at cost		
Dhaka Stock Exchange Limited (DSE)	6,920,500	6,920,500
Chittagong Stock Exchange Limited (CSE)	4,107,250	4,107,250
	<u>11,027,750</u>	<u>11,027,750</u>

Pursuant the Exchanges Demutualization Act 2013, Dhaka Stock Exchange and Chittagong Stock Exchange have issued ordinary shares and Trading Right Entitlement Certificate (TREC) license to BRAC EPL Stock Brokerage Limited. The valuation of TREC is yet to be decided. Later if the valuation of TREC is decided, "Membership at cost" will be adjusted accordingly against "Investment Suspense Account" or any other manner as permitted under registration.

8 Investment in associate company		
BRAC Asset Management Company Limited		
Opening balance	14,930,161	14,754,650
Add: Profit for the year	150,959	175,511
	<u>15,081,120</u>	<u>14,930,161</u>

In 2010, the Company along with other BRAC entities, invested Taka 12,000,000 in BRAC Asset Management Company Limited (BAMCL) which represents 24% of the paid up capital of the Company. BAMCL did not start operation during the year 2011 to 2014 due to pending regulatory approval. BESL's share of the profit of BAMCL for the year 2016 has been recognized in the profit and loss.

9 Investments in DSE & CSE		
Dhaka Stock Exchange Limited (DSE)	28,860,424	28,860,424
Chittagong Stock Exchange Limited (CSE)	17,149,320	17,149,320
	<u>46,009,744</u>	<u>46,009,744</u>

As per the provisions of the Exchanges Demutualization Act 2013 and in accordance with the Bangladesh Securities Exchange Commission (BSEC) approved Demutualization scheme, BRAC EPL Stock Brokerage Limited received the following ordinary shares:

Shares issued by	No. of shares	No. of shares
Dhaka Stock Exchange Limited (DSE)	7,215,106	7,215,106
Chittagong Stock Exchange Limited (CSE)	4,287,330	4,287,330
Total	11,502,436	11,502,436

Out of these 11,502,436 shares, 40% shares i.e. 4,600,974 shares has been transferred by both Exchanges to the Company's BO account. Remaining 60% shares i.e. 6,901,462 shares will remain in blocked account for disposal in due course.

**Valuation of
40% shares:**

40% shares which are transferred in the BO account will be held by the Company as the Company does not have the sale right of these shares. The shares are transferred to the Investment Suspense Account in the absence of any clear guideline in this regard. In future, when the clear guidelines and policies are available, investment suspense account will be adjusted for appropriate accounting treatment.

Valuation of 60% shares:

As per the scheme, 60% shares which will be transferred to the blocked account will be off-loaded in the following manner:

1. 25% shares will be sold to the strategic investors by the both Exchanges.
2. Except shares allotted in favor of strategic investors, shares held in blocked account shall be sold to general public/ institutional investors.
3. The DSE & CSE shall distribute all the sale proceeds of shares held in blocked account to the initial shareholders pro-rata basis periodically as determined by the Exchanges.

	<u>2017</u> <u>Taka</u>	<u>2016</u> <u>Taka</u>
10 Investment in shares		
Investment in shares-IPO	4,273,210	10,001,000
Investment in shares-Private Placement	-	-
Investment in shares of listed Companies-Dealer Account	505,431,270	268,391,421
	<u>509,704,480</u>	<u>278,392,421</u>
11 Account receivables		
Clients	1,596,555,381	253,228,837
Dhaka Stock Exchange Limited (DSE)	19,942,563	16,763,064
Chittagong Stock Exchange Limited (CSE)	793,815	2,740,203
	<u>1,617,291,759</u>	<u>272,732,104</u>
12 Inter-company receivables		
BRAC Bank Limited	14,409,371	1,865,779
BRAC EPL Investment Limited	8,289,033	8,204,948
	<u>22,698,404</u>	<u>10,070,727</u>
13 Margin loan receivables	<u>141,341,986</u>	<u>143,985,649</u>
The above amount represents loan entitled to clients against securities. The Company had started margin loan facilities from 01 October 2011. Loan limit to single client is maximum 50% of client's margin.		
14 Advances, deposits and prepayments		
Advances (Note-14.1)	393,907,518	321,920,437
Deposits (Note-14.2)	988,981	988,981
Prepayments (Note-14.3)	1,353,357	1,736,784
	<u>396,249,856</u>	<u>324,646,201</u>

	2017 <u>Taka</u>	2016 <u>Taka</u>
14.1 Advances		
Income tax (Note-14.1.1)	366,687,104	288,357,611
Office rent	16,269,271	14,722,277
Software system	1,244,994	187,430
Salary and allowances	961,621	1,265,181
Other advances	8,744,528	17,387,939
	<u>393,907,518</u>	<u>321,920,437</u>
14.1.1 Advance Income Tax		
Balance at beginning of the year	288,357,611	214,375,711
Add: Paid during the year	78,329,493	65,314,328
	<u>366,687,104</u>	<u>279,690,040</u>
Adjustment made for previous years	-	8,667,571
Balance at end of the year	<u><u>366,687,104</u></u>	<u><u>288,357,611</u></u>
14.2 Security deposits		
DSE-floor space	850,024	850,024
Depository Participator (DP) for CDBL	102,500	102,500
BTCL-land phone	23,705	23,705
Deposit to BRAC EPL Investment Limited	10,752	10,752
Mobile phone	2,000	2,000
	<u>988,981</u>	<u>988,981</u>
14.3 Prepayments		
Prepaid insurance	558,774	942,201
Prepaid VAT	794,583	794,583
	<u>1,353,357</u>	<u>1,736,784</u>
15 Other receivables		
Other income receivables	4,438,076	8,208,833
Accounts receivable-others	20,500	20,500
	<u>4,458,576</u>	<u>8,229,333</u>
16 Investment in FDRs		
BRAC Bank Limited	11,538,674	10,916,114
Standard Chartered Bank	26,517,264	25,696,580
Jamuna Bank Limited	7,702,988	7,347,812
Trust Bank Limited	-	-
NRB Global Bank Limited	38,501,553	36,143,208
The Farmers Bank Limited	19,664,028	18,190,590
Lanka Bangla Finance Limited	-	73,834,407
Phoenix Finance Limited	20,053,460	18,564,254
Islamic Finance & Investment Ltd.	5,000,000	5,000,000
	<u>128,977,967</u>	<u>195,692,966</u>

	2017 <u>Taka</u>	2016 <u>Taka</u>
17 Cash and cash equivalents		
Cash in hand	1,256,025	161,218
Cash at bank		
Current account with:		
Standard Chartered Bank	100,109,308	61,055,502
One Bank Limited	28,392,568	319,076,115
The City Bank Limited	23,443,714	22,912,061
BRAC Bank Limited	17,807,298	2,739,027
Hong Kong and Shanghai Banking Corporation	6,009	2,284,583
The City Bank Limited (Islami)	610	1,300
	<u>169,759,507</u>	<u>408,068,589</u>
Short term deposit with		
BRAC Bank Limited	619,137	404,733
BO account with		
BRAC Bank Limited	<u>2,444,351</u>	<u>1,517,201</u>
Dealer account with		
BRAC Bank Limited	396,817	378,078
	<u>174,475,837</u>	<u>410,529,819</u>

18 Share capital

18.1 Authorized share capital

10,000,000 ordinary shares of Taka 100 each

1,000,000,000 1,000,000,000

18.2 Issued, subscribed and paid-up share capital

Balance at the beginning of the year

451,500,000 50,000,000

Add: Bonus shares issued

249,453,800 401,500,000

700,953,800 451,500,000

The Company's shareholding position at the date of statement of financial position was as follows:

Name of share-holders	Nationality/ incorporated in	No. of shares		Amount in Taka	
		2017	Face value	2017	2016
BRAC Bank Limited	Bangladesh	6,308,581	100	630,858,100	406,349,800
Saiful Islam	Bangladeshi	700,954	100	70,095,400	45,150,000
BRAC	Bangladesh	3	100	300	200
		<u>7,009,538</u>		<u>700,953,800</u>	<u>451,500,000</u>

The Board of Directors in its 69th Board meeting held on 6th March 2016 has proposed 15% stock dividend which subsequently got approved on 16th AGM held on 21st March 2016. The company then increased its paid-up share capital from Taka 451,500,000 to Taka 519,225,000 by issuing 677,250 bonus shares to the shareholder as approved in 16th Annual General Meeting (AGM) held on 21st March 2016 after receiving consent from Bangladesh Securities & Exchange Commission dated 11th April 2017. Furthermore, The Board of Directors in its 75th Board meeting held on 1st March 2017 has proposed 35% stock dividend which subsequently got approved on 17th AGM held on 23rd March 2017. The company then increased its paid-up share capital from Taka 519,225,000 to Taka 700,953,800 by issuing 1,817,288 bonus shares to the shareholder as approved in 17th Annual General Meeting (AGM) held on 23rd March 2017 after receiving consent from Bangladesh Securities & Exchange Commission dated 27th December 2017.

19 Account payables

Clients	460,321,251	365,046,500
Dhaka Stock Exchange Limited (DSE)	1,156,335,846	62,491,691
Chittagong Stock Exchange Limited (CSE)	3,009,171	767,193
Payable to Issuer (IPO)	30,030,000	128,365,000
	<u>1,649,696,268</u>	<u>556,670,384</u>

	2017 <u>Taka</u>	2016 <u>Taka</u>
20 Investment suspense account		
Dhaka Stock Exchange Limited (DSE)	28,860,424	28,860,424
Chittagong Stock Exchange Limited (CSE)	17,149,320	17,149,320
	<u>46,009,744</u>	<u>46,009,744</u>
21 Inter-company payables		
BRAC Bank Limited	-	-
BRAC EPL Investment Limited	34,500	209,990
BRAC IT Services Limited	2,050,590	762,844
	<u>2,085,090</u>	<u>972,834</u>
22 Liability for expenses		
Performance bonus	36,583,558	30,935,067
Provision for bad debts	20,373,284	20,373,284
CDBL BO maintenance fees	4,514,620	9,955,820
Withholdings tax and VAT	1,395,121	1,355,497
Bank guarantee commission	-	1,800,000
Business development expenses	678,603	755,462
Legal and professional fees	440,501	440,501
Computer expenses	626,633	626,633
Office rent	157,309	210,154
Audit fee	205,081	187,688
Electricity bills	666,708	632,231
Entertainment expense	137,720	137,720
CDBL charges	1,152,275	1,423,882
Repair and office maintenance	673,054	577,816
Telephone and mobile bills	425,159	420,774
Utilities and outsources	882,179	984,511
Salary and allowance	494,733	460,652
Travelling expense	5,471	5,471
Trading expenses payable	2,654,972	29,240,835
Other payables	2,043,370	3,123,801
	<u>74,110,350</u>	<u>103,647,798</u>
23 Provision for income tax		
Balance at the beginning of the year	303,307,569	236,828,563
Add: Provision made during the year (Note-30)	90,035,120	61,000,000
Adjustment of tax provision for previous year	-	5,479,006
	<u>393,342,689</u>	<u>303,307,569</u>
24 Service Revenue		
Dhaka Stock Exchange (DSE)	496,571,927	369,338,545
Chittagong Stock Exchange (CSE)	7,576,846	3,906,109
Income from margin loan	17,928,242	18,051,405
Annual account maintenance fees	5,000,750	4,136,000
BO account maintenance fees	10,656,000	13,316,000
Advisory income	23,368,154	22,168,134
IPO Service Charge	305,630	413,500
BO account opening fees	868,800	360,900
Sale of BO form	217,300	84,200
Others	2,292,536	1,704,134
	<u>564,786,186</u>	<u>433,478,927</u>

	2017	2016
	<u>Taka</u>	<u>Taka</u>
25 Direct expenses		
Howla-DSE	1,450	11,500
Howla-CSE	91,476	74,184
Laga-DSE	30,770,070	18,923,704
Laga-CSE	373,935	188,526
CDBL Maintenance	8,297,799	14,360,739
Trading expense	98,844,736	98,777,942
	<u>138,379,466</u>	<u>132,336,594</u>

This represents Howla and Laga charges paid to DSE and CSE for the transactions of traded securities. Howla is paid based on number of transactions and Laga is paid based on turnover at applicable rate prescribed by DSE and CSE.

26 Operating expenses		
Administrative expenses (Note-26.1)	205,440,997	177,507,848
Other operating expenses (Note-26.2)	54,533,719	37,494,989
	<u>259,974,716</u>	<u>215,002,837</u>

26.1 Administrative expenses		
Salary and allowances (Note-26.1.1)	138,267,079	116,706,605
Office rent and service charges	27,208,172	22,621,154
Depreciation (Note-5)	11,258,424	12,369,220
Internet bills	5,142,825	4,341,032
Outsourcing expenses	9,112,715	9,405,669
CDBL charges	10,435,141	4,235,006
Amortization of intangible assets (Note-6)	147,480	4,471,930
Insurance	1,538,054	879,177
Networking expenses	1,433,151	1,123,068
DSE, CSE and BSEC charges	897,956	1,354,987
	<u>205,440,997</u>	<u>177,507,848</u>

26.1.1 Salary and allowances		
Salary and allowances	133,673,948	116,706,605
Provident fund contribution	2,200,539	-
Gratuity	2,392,592	-
	<u>138,267,079</u>	<u>116,706,605</u>

	<u>2017</u> <u>Taka</u>	<u>2016</u> <u>Taka</u>
26.2 Other operating expenses		
Utility expenses	3,673,491	3,383,003
Entertainment	4,168,888	2,812,587
Office maintenance	4,714,856	2,167,102
Telephone and mobile bills	2,329,873	2,098,475
Printing and stationery	1,787,762	1,910,902
Business promotional expenses	8,242,670	4,580,472
Advertisement	2,859,794	1,488,903
Fuel and lubricants	3,589,926	2,787,340
Service charge-BRAC Bank Limited	2,312	-
Board meeting fees	285,000	480,000
Travel and conveyance	6,757,090	2,211,497
Postage and courier	301,512	503,873
Professional fees	1,720,109	1,040,167
Training and development	2,663,651	873,901
Repair and maintenance	4,789,304	8,273,754
Fees and subscriptions	2,283,569	394,422
News paper, books and periodicals	133,288	171,843
Audit fee	191,331	173,938
Photocopy and photograph	9,571	17,319
Reward and recognition	2,941,455	300,000
Other expenses	1,088,267	1,825,492
	<u>54,533,719</u>	<u>37,494,989</u>
27 Other income		
Gain/(loss) on sale of fixed assets	-	(25,484)
	<u>-</u>	<u>(25,484)</u>
28 Finance income		
Income from bank interest	19,878,474	25,774,531
Income from zero coupon bond	-	4,222,633
Realized gain on share	59,354,013	10,504,256
Unrealized gain/(loss) on share	29,775,026	10,919,736
Dividend income	25,361,637	21,201,515
	<u>134,369,150</u>	<u>72,622,671</u>
29 Finance Cost		
Bank guarantee commission	4,792,883	1,800,000
Bank interest, charges and commission	1,400,046	4,464,142
	<u>6,192,929</u>	<u>6,264,142</u>
30 Income tax expenses		
Provision for tax on brokerage commission	66,128,816	43,518,043
Provision for tax other than brokerage commission	23,906,304	17,481,957
Provision for 2017	<u>90,035,120</u>	<u>61,000,000</u>
Adjustment for previous year	-	(3,188,565)
	<u>90,035,120</u>	<u>57,811,435</u>

	2017 Taka	2016 Taka
31 Contingent liabilities and capital expenditure commitments		
i) Claims against the company not acknowledged as debt	-	-
ii) Capital expenditure commitments	-	-
a. Contracted but not provided for	-	-
b. Approved but not contracted for	-	-
32 Number of employees engaged for drawing remuneration		
i) Up to Taka 3000 per month	-	-
ii) Above Taka 3000 per month	148	103
	148	103

33 Financial risk management

The management has overall responsibility for the establishment and oversight of the Company's risk management framework. The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies, procedures and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company has exposure to the following risks from its use of financial instruments.

- credit risk
- liquidity risk
- market risk

33.1 Credit risk

Credit risk is the risk of financial loss to the Company if a client or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivable from customers.

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. In monitoring credit risk, clients are grouped according to their risk profile, i.e. their legal status, financial condition etc. Receivable from clients is the debit balance in the client ledger as a result of buy/sell of shares.

33.2 Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company ensures that it has sufficient cash and bank balances to meet expected operational expenses, including financial obligations through preparation of the cash flow forecast, prepared based on timeline of payment of the financial obligation and accordingly arrange for sufficient liquidity/fund to make the expected payment within due date.

33.3 Market risk

Market risk is the risk that changes in market prices such as foreign exchange rates and interest rates will affect the Company's income or the value of its holding of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

33.4 Currency risk

The Company has not entered into any transaction denominated by a currency other than the local currency during the year ended 31 December 2017.

33.5 Interest rate risk

The only interest bearing financial instrument for the Company is the short notice deposit (SND) account maintained by the Company with its commercial banks. These are highly liquid and very short term deposits with nominal interest rate. Interest rate fluctuation for such investment have little impact on financial statements. Therefore, interest rate risk for the Company is insignificant.

34 Related party transactions

During the year, the company carried out a number of transactions with related parties. In accordance with the provisions of BAS 24: Related party disclosure, these are detailed below:

Name of party	Relationship with BESL	Nature of transactions	2017 Taka	2016 Taka
BRAC EPL Investments Limited	Common Parent	Expenses receivable	8,289,033	8,204,948
BRAC Bank Limited	Parent Company	Commission receivable	14,409,371	1,865,779
BRAC Bank Limited	Parent Company	IT services	-	-
BRAC EPL Investment Limited	Common Parent	Expenses payable	34,500	209,990
BRAC IT Services Limited	Common Parent	IT services	2,050,590	762,844

35 Events after the reporting period

The Board of Directors in its 79th Board meeting held on 12th February 2018 has proposed 30% stock dividend subject to the approval of shareholders at the next annual general meeting.


Chief Executive Officer


Director


Chairperson

Annexure - 1

BRAC EPL Stock Brokerage Limited Allocation of Income & Expenses For the year ended 31 Dec 2017

	Brokerage Income	Other than Brokerage Income	Total
Brokerage commission	504,148,773	-	504,148,773
Interest from margin loan	-	17,928,242	17,928,242
BO Account maintenance fees	-	10,656,000	10,656,000
Advisory fees	-	23,368,154	23,368,154
BO Account opening fees	-	868,800	868,800
Sale of BO form	-	217,300	217,300
Annual account maintenance fees	-	5,000,750	5,000,750
IPO service charges	-	305,630	305,630
Others	-	2,292,536	2,292,536
Gross revenue	504,148,773	60,637,413	564,786,186
Direct expenses	(130,081,667)	(8,297,799)	(138,379,466)
	374,067,106	52,339,614	426,406,720
Operating expenses *	(231,377,497)	(28,597,219)	(259,974,716)
	142,689,609	23,742,395	166,432,004
Financial expenses		(6,192,929)	(6,192,929)
Impairment loss	-	-	-
	-	(6,192,929)	(6,192,929)
Operating Profit	142,689,609	17,549,466	160,239,075
Non-operating income:			
Realized gain on shares	-	59,354,013	59,354,013
Unrealized gain/(Loss) on shares	-	29,775,026	29,775,026
Bank interest		19,878,474	19,878,474
Share of profit of equity in associate company	-	150,959	150,959
Income from Zero coupon bond	-	-	-
Dividend income	-	25,361,637	25,361,637
Gain/(loss) on sale of fixed assets	-	-	-
	-	134,520,110	134,520,110
Net profit before tax	142,689,609	152,069,576	294,759,185

* Operating expenses have been allocated to Brokerage Income and other than Brokerage Income on the basis of gross revenue, percentage of gross revenue works out at 89% and 11% respectively


Chief Executive Officer


Director


Chairperson